

## Message Text

CONFIDENTIAL

PAGE 01 STATE 140988  
ORIGIN EUR-12

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 OPIC-03 AID-05  
XMB-02 FRB-03 CIAE-00 INR-07 NSAE-00 L-03 SP-02  
OMB-01 H-01 EA-07 /054 R

DRAFTED BY EUR/SOV:JTREICHEL:PJP  
APPROVED BY EUR/SOV:RBARRY  
EUR/SOV:JLCOLBERT  
EB/EWT:HKOPP  
EUR/SOV:MDIXON  
TREASURY:TPONOMARENKO  
EUR/SOV:WHEDGAR  
COMMERCE:HHEISS

-----171749Z 116513 /43

P R 171624Z JUN 77  
FM SECSTATE WASHDC  
TO AMEMBASSY MOSCOW PRIORITY  
INFO AMEMBASSY BELGRADE  
AMEMBASSY BUCHAREST  
AMEMBASSY BUDAPEST  
AMEMBASSY PRAGUE  
AMEMBASSY SOFIA  
AMEMBASSY WARSAW  
AMEMBASSY BERLIN

C O N F I D E N T I A L STATE 140988

E.O. 11652: GDS

TAGS: ETRD, EWT, URUS

SUBJECT: FIFTH SESSION OF JOINT US-USSR COMMERCIAL  
COMMISSION

1. SUMMARY. THE SIXTH SESSION OF THE JOINT US-USSR  
COMMERCIAL COMMISSION HELD IN WASHINGTON ON JUNE 9-10,  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 140988

PROVIDED THE NEW ADMINISTRATION WITH AN OPPORTUNITY TO  
REAFFIRM THE USG'S COMMITMENT TO EXPANDED US-SOVIET TRADE.  
THE COMMISSION SESSION WAS MARKED BY A CORDIAL, BUSINESSLIKE  
ATMOSPHERE WHICH ENABLED THE NEW US ECONOMIC LEADERSHIP TO  
ESTABLISH PERSONAL CONTACT WITH SENIOR SOVIET TRADE  
OFFICIALS. THE SOVIETS CAME WITH NO APPARENT EXPECTATIONS  
OF RAPID PROGRESS ON JACKSON-VANIK. THEY WERE TOLD THAT

THIS ADMINISTRATION CONTINUES THE POLICY OF SEEKING CHANGES IN JACKSON-VANIK, BUT THAT THE CLIMATE ON THE HILL IS NOT CONDUCIVE TO ACTION NOW. MOREOVER ADMINISTRATION'S ABILITY TO MOVE ON JACKSON-VANIK WAS DEPENDENT ON OVERALL STATE OF US-SOVIET RELATIONS.

2. THE SOVIETS SAID THAT US INDUSTRIAL EXPORTS TO THE USSR COULD BE EXPECTED TO DROP SHARPLY IN 1977, AND PATOLICHEV RESPONDED VIGOROUSLY WHEN US OFFICIALS MENTIONED HUMAN RIGHTS. PRESS COVERAGE PLAYED UP THESE NEGATIVE ASPECTS, AND IN DOING SO CONVEYED AN IMPRESSION THAT THE MEETINGS

WERE MUCH MORE CONFRONTATIONAL THEN THEY ACTUALLY WERE. PATOLICHEV HAD SEPARATE MEETINGS WITH THE VICE PRESIDENT AND THE SECRETARIES OF STATE, TREASURY AND COMMERCE. A MEETING OF THE WORKING GROUP OF EXPERTS WAS HELD BEFORE THE COMMISSION SESSION, AND THE EXECUTIVE COMMITTEE OF THE US-USSR TRADE AND ECONOMIC COUNCIL MET ON JUNE 13. NOTABLE THROUGHOUT THESE EVENTS WAS VISIBILITY OF SOVIET AMBASSADOR DOBRYNIN WHO TOOK PART IN COMMISSION MEETING AND HOSTED LUNCHEON FOR COMMISSION PARTICIPANTS AND RECEPTION JUNE 13 FOR TRADE AND ECONOMIC COUNCIL. END SUMMARY.

3. US OBJECTIVES IN THE COMMISSION SESSION WERE TO REASSURE THE SOVIETS THAT THE USG CONTINUES TO BE COMMITTED TO AN IMPROVEMENT OF ECONOMIC AND COMMERCIAL RELATIONS, AND WISHED TO ESTABLISH DIRECT CONTACT BETWEEN THE SOVIETS AND THE NEW US PRINCIPALS. THE MESSAGE FROM PRESIDENT CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 140988

CARTER REAFFIRMING THE IMPORTANCE OF OUR TRADE RELATIONS, WHICH SECRETARY BLUMENTHAL READ IN HIS OPENING STATEMENT, SERVED THE FIRST OBJECTIVE. THE MULTIPLICITY OF PERSONAL CONTACTS AT FORMAL AND INFORMAL MEETINGS AND SOCIAL EVENTS SERVED THE SECOND.

4. ON THE TRADE ACT, PATOLICHEV REITERATED THE SOVIET POSITION THAT LACK OF MFN AND CREDITS WAS A SERIOUS IMPEDIMENT TO EXPANDING TRADE. PATOLICHEV TOLD THE VICE PRESIDENT AND OTHERS THAT HE EXPECTED SOVIET IMPORTS OF US NON-AGRICULTURAL GOODS TO BE HALF AS LARGE THIS YEAR AS THE AMOUNT IMPORTED LAST YEAR(400 MILLION DOLS DOWN FROM 800 MILLION DOLS). AT THE WORKING LEVEL, THE SOVIETS TRIED TO SHOEHORN LANGUAGE REFLECTING THEIR POSITIONS ON JACKS N-VANIK INTO THE AGREED MINUTES BUT GAVE UP RATHER EASILY WHEN US SIDE REFUSED TO GO ALONG. IN THE END THE SOVIETS ACCEPTED THE RATHER ANODYNE FORMULATION WHICH HAD ORIGINALLY BEEN PROPOSED BY THE US SIDE.

5. BUSINESS FACILITATION ISSUES PROVOKED SOME SPIRITED DISCUSSIONS DURING THE COMMISSION SESSION. THE US SOUGHT A SOVIET COMMITMENT TO CONSIDER SUCH PROBLEMS AS MULTIPLE ENTRY/EXIT VISAS, ACCREDITATION FOR US FIRMS IN MOSCOW, AND ARRANGEMENTS FOR OFFICES AND APARTMENT SPACE, WHILE THE SOVIETS WANTED US AGREEMENT TO CONSIDER FURTHER ADDITIONS (ORIGINALLY 4-5 PERSONS) OF SOVIET PERSONNEL TO BELARUS MACHINERY INC. AND A TWO-YEAR EXTENSION OF THE KAMA PURCHASING COMMISSION. THE MINUTES REFLECTED THE SOLUTION WORKED OUT BY SECRETARY BLUMENTHAL WITH PATOLICHEV: THE US AGREED TO CONSIDER APPLICATION FOR TWO MORE SOVIETS TO WORK AT BELARUS MACHINERY IN 1977 AND TO CONSIDER A TWO-YEAR EXTENSION FOR THE KAMA COMMISSION, WHILE THE SOVIETS

ACCEPTED US LANGUAGE COMMITTING THEM TO CONSIDER A WRITTEN US REPORT ON BUSINESS FACILITATION ISSUES. THE TWO SIDES ALSO AGREED TO HOLD INFORMAL MEETINGS ON A REGULAR BASIS  
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 140988

IN WASHINGTON AND MOSCOW TO DISCUSS BUSINESS FACILITATION MATTERS. SUCH MEETINGS WOULD INCLUDE SOVIET COMPANY REPRESENTATIVES IN US AND REPRESENTATIVES OF ACCREDITED US FIRMS IN MOSCOW, AS APPROPRIATE. THE US SIDE PROPOSED THESE MEETINGS AS A WAY TO FORESTALL MISUNDERSTANDINGS ON BUSINESS FACILITATION PROBLEMS AND AVOID UNNECESSARY IRRITANTS IN OUR BILATERAL RELATIONS.

6. THE SOVIETS SOUGHT ANY ENDORSEMENT THEY COULD GET FROM THE USG ON A NUMBER OF JOINT PROJECTS, AND THEY PUSHED ESPECIALLY HARD ON THE YAKUTSK LNG VENTURE. THE SOVIETS ALSO PRESSED FOR ENDORSEMENT OF "COMPENSATION" AS AN IMPORTANT FORM OF DOING BUSINESS, WHICH THE US DECLINED TO GIVE. THE FINAL LANGUAGE OF THE MINUTES MENTIONS "SELF-LIQUIDATING" PROJECTS AND CITES ONLY THE OCCIDENTAL FERTILIZER PROJECT (NOT BY NAME) AS AN EXAMPLE.

7. IN THE MAJOR PROJECTS WORKING GROUP, SOVIET CO-CHAIRMAN, DEPUTY MINISTER OF FOREIGN TRADE SUSHKOV, SUMMARIZED THE LATEST SOVIET THINKING ON THE YAKUTSK AND NORTH STAR LNG PROJECTS. SUSHKOV STATED THAT THE LATTER HAS "LOST MEANING" AS A SOVIET-US UNDERTAKING, SINCE THE NORTH STAR GAS CAN BE PIPED TO EUROPE AND SOLD THERE. THERE IS NO NEED FOR LIQUEFACTION OR SALES IN THE US, HE SAID. YAKUTSK, ON THE OTHER HAND, HAS GOOD POSSIBILITIES, SAID SUSHKOV. HE STATED THAT CONFIRMED RESERVES NOW TOTAL 700 BILLION CUBIC METERS AND WOULD SOON REACH THE REQUIRED 1 TRILLION. HE INDICATED THAT THE GAS DESTINED FOR JAPAN MIGHT BE TRANSPORTED BY PIPELINE FROM SAKHALIN TO HOKKAIDO AND THENCE TO HONSHU, ELIMINATING THE NEED FOR LIQUEFACTION FACILITIES AND TANKERS FOR THE JAPANESE PART

OF THE PROJECT. HE SAID THAT WHILE IT WOULD BE NO PROBLEM TO PIPE GAS FROM SAKHALIN TO HOKKAIDO, THE HOKKAIDO-HONSHU LEG WOULD BE DIFFICULT. HE STRESSED THAT YAKUTSK WOULD BE IMPLEMENTED WITH OR WITHOUT US PARTICIPATION, BUT THE USSR PREFERS TO HAVE THE US INVOLVED.

CONFIDENTIAL

CONFIDENTIAL

PAGE 05 STATE 140988

8. DURING THE COMMISSION SESSION AND IN SEPARATE MEETINGS WITH THE US LEADERS, PATOLICHEV REASSERTED THE SOVIET POSITION ON JACKSON-VANIK AND SAID THAT SOVIET PURCHASES OF NON-AGRICULTURAL PRODUCTS WOULD DROP FROM 800 MILLION DOLS TO 400 MILLION DOLS. THE US SIDE STRESSED THE USG'S DESIRE TO MODIFY JACKSON-VANIK BUT MADE CLEAR THAT THE TIME WAS NOT RIPE FOR SUCH ACTION NOW. DURING MEETING

WITH SECRETARY KREPS PATOLICHEV EXPRESSED HIS DISAPPOINTMENT AT NOT BEING ABLE TO MEET WITH PRESIDENT, STATING THAT HE HAD ALWAYS ARRANGED FOR TOP US OFFICIALS TO BE RECEIVED BY BREZHNEV. SIMILAR COMPLAINT EXPRESSED PRIVATELY ON ANOTHER OCCASION BY SHCHUKIN OF KAMA PURCHASING COMMISSION.

9. THE SECOND MEETING OF THE WORKING GROUP OF EXPERTS, HELD ON JUNE 6-7, WAS CO-CHAIRLED BY UNDER SECRETARY OF THE TREASURY SOLOMON AND DEPUTY MINISTER OF FOREIGN TRADE MANZHULO. IT HEARD PRESENTATIONS ON PLANS AND PROJECTIONS FOR THE US AND SOVIET ECONOMIES, AND REVIEWED PAST ACTIVITIES OF THE WORKING GROUP. THE FOLLOWING POINTS WERE AGREED FOR FUTURE ACTIVITIES: A) CONTINUED EXCHANGE OF ECONOMIC, INDUSTRIAL, AND FOREIGN TRADE DATA, INCLUDING INFORMATION ON ECONOMIC FORECASTS AND PRODUCTION, AND ON THE WAY IN WHICH THIS DATA IS COMPILED AND DISSEMINATED; B) A SEMINAR IN WASHINGTON ON WAYS AND METHODS OF PROMOTING FOREIGN TRADE IN THE US AND USSR; C) EARLY DISCUSSION THROUGH EMBASSY MOSCOW AND THE SOVIET TRADE REPRESENTATION ON THE TOPIC OF A SECOND SEMINAR, TO BE HELD IN MOSCOW.

10. THE EXECUTIVE COMMITTEE OF THE US-USSR TRADE AND ECONOMIC COUNCIL HELD AN UNEVENTFUL MEETING ON JUNE 13. AT A LUNCH FOLLOWING THE MEETING, SENATOR RIBICOFF WAS INVITED TO MAKE SOME REMARKS. HE SAID THAT PROGRESS ON

CONFIDENTIAL

CONFIDENTIAL

PAGE 06 STATE 140988

JACKSON-VANIK WOULD REQUIRE PROGRESS ON JEWISH EMIGRATION,

AND THAT HE EXPECTED A SOLUTION TO THIS PROBLEM COULD BE WORKED OUT SOMETIME IN 1978. HE ALSO SAID RESUMPTION OF SOVIET-ISRAELI RELATIONS WOULD BE HELPFUL. PATOLICHEV RESPONDED VIGOROUSLY, SAYING THAT THE USSR DID NOT DEPEND ON TRADE WITH THE US AND DEFENDING THE SOVIET RECORD ON EMIGRATION. THE POST REPORTED THAT PATOLICHEV'S REJOINDER HAD "CAST A PALL OVER THE MEETING." IN FACT, HIS REMARKS WERE NO MORE THAN A STANDARD SOVIET REACTION DELIVERED WITH ENTHUSIASM TO WHAT RIBICOFF HAD SAID. THE MAIN THRUST OF PATOLICHEV'S COMMENTS AT THE LUNCH ABOUT FUTURE PROSPECTS FOR US-SOVIET TRADE WAS POSITIVE.

11. AT A PRESS CONFERENCE AT THE CONCLUSION OF THE COMMERCIAL COMMISSION SESSION, SECRETARY BLUMENTHAL NOTED THAT THE TALKS HAD BEEN HIGHLY USEFUL AND CONSTRUCTIVE. SECRETARY KREPS, TOOK NOTE OF THE DROP IN US NON-AGRICULTURAL EXPORTS BELOW PRESENT LEVELS, BUT UNDERLINED THE IMPORTANCE OF MOVING AHEAD IN COMMERCIAL RELATIONS. THE PRESS HIGHLIGHTED THE SOVIET PREDICTION THAT TRADE WOULD DECLINE. CHRISTOPHER

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** EAST WEST TRADE, MEETING REPORTS, COMMITTEE MEETINGS, FOREIGN TRADE, INTERGOVERNMENTAL COOPERATION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 17-Jun-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977STATE140988  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** JTREICHEL:PJP  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770217-0309  
**Format:** TEL  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770644/aaaabmtg.tel  
**Line Count:** 244  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 9ef4fb7a-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 04-Feb-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2110052  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FIFTH SESSION OF JOINT US-USSR COMMERCIAL COMMISSION  
**TAGS:** ETRD, EWWT, UR, US  
**To:** MOSCOW  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/9ef4fb7a-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009